

**HOWARD COUNTY POLICE AND FIRE EMPLOYEES' RETIREMENT PLAN
HOWARD COUNTY RETIREMENT PLAN**

JOINT MEETING OF THE RETIREMENT PLAN COMMITTEES

September 26, 2014

A joint meeting of the Retirement Plan Committees for the Howard County Police and Fire Employees' Retirement Plan (the "Police and Fire Plan") and the Howard County Retirement Plan (the "Employees Plan") (jointly, the "Plans") was held on Friday, September 26, 2014 at 1:30 p.m. in the C. Vernon Gray Room at the George Howard Building, 3430 Courthouse Drive, Ellicott City, Maryland 21043.

Police and Fire Plan:

Members Present:

Acting Human Resources Administrator: Wanda Hutchinson
Director of Finance: Stanley Milesky
Chief Administrative Officer: Lonnie Robbins
Representative, Police Department Supervisory Employees:
 Jason Luckenbaugh (Non-Voting Member in Fiscal Year 2015)
Representative, Fire and Rescue Supervisory Employees:
 Joseph L. Calo, II (Voting Member in Fiscal Year 2015)
Representative, Howard County Police Officers' Association, Lodge 21:
 Mark Thomey
Representative, International Association of Firefighters, Local 2000:
 Richard Ruehl

Members Absent

Budget Administrator: Ray Wacks

Employees Plan:

Members Present:

Acting Human Resources Administrator: Wanda Hutchinson
Chief Administrative Officer: Lonnie Robbins
Deputy Director of Finance: Rafiu Ighile
Representative, American Federation of State, County and
 Municipal Employees Local 3080: Kim Drennon
Representative, American Federation of State, County and Municipal
 Employees Local 3085: Dale R. Chase

Members Absent

Budget Administrator: Ray Wacks
Employee Representative: Vacant

Also present for all or a portion of the meeting were:

Steve Peters, County Auditor's Office
Sima Taghavi, Department of Finance
Eric Ralph, Summit Strategies Group
Paul W. Madden, Whiteford, Taylor & Preston L.L.P.
Terry Reider, Retirement Coordinator, Office of Human Resources
Chuck Lindenberg, Representative of Local 3085
Craig Glendenning, Howard County Auditor

Lonnie Robbins acted as Chair of the meeting and Paul Madden acted as Secretary. The minutes of the July 24, 2014 meeting of the Joint Committee were unanimously approved.

Next, Donna Wilson and Keri Hepburn of Invesco provided a report on the Plans' investment in Invesco's U.S. enhanced 1% risk fund. As of August 31, 2014, the value of this portfolio was \$50.8 million. The Plans have participated in the Invesco fund since March 12, 2001. From inception through August 31, 2014, its investment has an annualized return of 6.66% as compared to the annualized return of the benchmark S&P 500 for the same period which was 5.73%. This represents an annualized excess return of 93 basis points. Subtracting Invesco's fee of 30 basis points, the return has exceeded the benchmark by 63 basis points.

Ms. Hepburn explained that Invesco has over \$800 billion in assets under management and acts only as an investment manager. There was a discussion on the concept of smart Beta and further discussion on how Invesco achieves the approximately 1% excess return. Donna Wilson noted that during years when the performance was negative such as 2001, 2002 and 2008, the Invesco fund did not lose as much as the S&P 500 index. In up-markets, the portfolio achieved benchmark or near benchmark performance. Ms. Wilson also explained some new and recent enhancements to Invesco's stock selection models based on recent research. New stock selection factors were placed in production during May of 2014. After completing their report and addressing questions from the Committee and consultants, Ms. Wilson and Ms. Hepburn left the meeting.

Next, Eric Ralph provided the Joint Committee with the Investment Performance Review by Summit Strategies Group for periods ending June 30, 2014. The total fund as of June 30, 2014 is \$747.3 million. For the fiscal year, the total fund composite returned 16.1% and outperformed the policy index. The domestic equity composite returned 27.1% which ranked in the 12th percentile of the peer sample. Particularly strong performers included LSV which returned 28.2% and Westfield which returned 29.8%. Fixed income returned 0.6% which ranked above median versus peers. Private equity had an absolute return of

18.9%. The fund was negatively impacted by the underperformance of real estate and international equity.

Eric noted that an asset liability study is in process which may result in some changes to the asset allocation.

There was a discussion regarding the very recent news that Bill Gross left PIMCO to become a portfolio manager at Janus. The fund has \$96.5 million invested in the PIMCO total return fund. At this point, Summit Strategies is developing a position paper with regard to PIMCO. Summit Strategies is not currently recommending any action by its clients.

Eric next reviewed Summit's Flash Report through August 31, 2014. It was noted that plan assets reached \$756.1 million.

Next, Eric reviewed the Real Assets Update which was provided during the February, 2014 meeting. Summit Strategies recommends a \$25 million commitment to the Partners Group Global Real Estate 2013 Fund. This is in keeping with Summit's real estate partnership commitment model which calls for a \$25 million commitment to real estate during 2014. Eric noted that the Fund previously invested with Partners Group: Global Real Estate 2011 Fund.

After discussion, and upon motion duly made, seconded and unanimously approved, it was

RESOLVED that the Committee adopts Summit Strategies recommendation to commit \$25 million to the Partners Group Global Real Estate Fund 2013, subject to legal review and completion of due diligence.

Next, the Committee discussed the Annual Report of the Pension Oversight Commission for the fiscal year ending June 30, 2013.

It was noted that the Joint Committee has addressed some of the issues on which the Pension Oversight Commission made recommendations, including a decision to lower the investment return rate assumption to 7.5%. The Committee will discuss the recommendations of the Pension Oversight Commission at a future meeting.

Because of Todd Allen's resignation, the Committee does not have a member who is trained in issues relating to the Open Meetings Act. Paul Madden noted that there is a link on the Attorney General's website for on-line training. Richard Ruehl, Jason Luckenbaugh and Wanda Hutchinson all volunteered to take the training.

Terry Reider reported on the process for selecting an employee representative to replace Nicole Griffith. Terry Reider will send an e-mail to possible employees soliciting interest in the position. Applicants will be interviewed by the Pension Oversight

Commission which will make recommendations to the County Executive. The final decision belongs to the Executive.

At this point, members of the Employees Plan were excused for a discussion of Council Bill No. 51-2014 which amends the Police and Fire Plan by adding a DROP program modifying the current DROP program. Lonnie Robbins and Richard Ruehl both explained the DROP provisions.

The minutes of the July 24, 2014 closed meeting were handed out to members of the Committee for their review. Following the review, the minutes were unanimously approved.

There being no further business, the meeting adjourned.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Paul W. Madden", written in a cursive style.

Paul W. Madden
Secretary of the Meeting